

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
DECEMBER 31, 2007

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



CHARTER TOWNSHIP OF HARRISON, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2007

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets – Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Employee Retirement Systems –	
Employees' Retirement System	
Schedule of Funding Progress	45
Schedule of Employee Contributions	45
Fireman's Pension Fund	
Schedule of Funding Progress	46
Schedule of Employee Contributions	46
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	47
Fire Fund	49
Police Fund	50

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2007

	<u>Page Number</u>
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds –	
Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Grant Fund	55
Parks & Recreation Fund	56
Building Inspections Fund	57
Fiduciary Funds:	
Combining Statement of Net Assets and Liabilities	58
Combining Statement of Changes in Fiduciary Net Assets	60

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the
Charter Township of Harrison
Harrison Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Harrison, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Harrison's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Harrison, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 13, 2008 on our consideration of the Charter Township of Harrison's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10, and schedules of funding progress, employee contributions and budgetary comparisons on pages 45 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Harrison's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

May 13, 2008

Management's Discussion and Analysis

As management of the Charter Township of Harrison, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal years ended December 31, 2007 and 2006.

Financial Highlights

- Harrison Township's assets exceeded its liabilities at the close of the most recent fiscal year by \$38,545,726 (*net assets*). Of this amount, \$9,364,510 (*unrestricted net assets*) may be used to meet the government's on-going obligations to citizens and creditors.
- The government's total net assets increased by \$1,074,300.
- As of the close of the current fiscal year, Harrison Township's governmental funds reported combined ending fund balances of \$6,066,798, a decrease of \$825,582 in comparison with prior year. Approximately 78 % of this total, or \$4,714,867, is available for spending at the government's discretion (unreserved and undesignated fund balance.)
- The Township added no additional debt during the current fiscal year. At year-end, total bond indebtedness equaled \$2,385,000.
- The Township purchased 155 acres of vacant land in May, 2007 at a cost of \$1,809,526. The purchase was financed with cash payment of \$909,526 and a loan with Chase bank in the amount of \$900,000 with a term of 7 years at rate of 4% interest.
- General Fund expenditures for capital assets, in addition to the vacant land, included \$109,750 for a new electronic monitoring system for the storm drain pumping system and \$95,335 to replace the early warning siren system throughout the Township. In addition, the gazebo was replaced and a paved parking lot was added at Waterfront Park, paid for with a \$180,600 CDBG grant and a \$138,053 appropriation from the General Fund.
- A fire truck was purchased near the end of the year for \$486,243 from Fire Fund revenues.
- Water & Sewer Fund capital expenditures included \$197,540 for a new electronic monitoring system for the water & sewer pumping stations to warn of pump failures and other operating irregularities. Construction began on three sanitary sewer pumping stations, requiring disbursements of \$1,635,060.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide* financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general administration, public safety, public works, health and welfare, and recreation and cultural. The business-type activities include sanitary sewer and water operations. The government-wide financial statements appear on pages 11-13 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Township's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows* of spendable resources, as well as on *balances* of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the short-range financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between *governmental funds* and *governmental activities*.

The Township maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, fire protection, police protection, building and site funds, each of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report (see pages 51-54).

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets. The basic governmental fund financial statements can be found on pages 14-15 and 17-18 of this report.

Proprietary funds. The Township maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements, because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 23-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Harrison Township, assets exceeded liabilities by \$38,545,726 at the close of the most recent fiscal year.

Harrison Township's Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 14,280,755	\$ 14,811,897	\$ 7,241,625	\$ 7,801,337	\$ 21,522,380	\$ 22,613,234
Capital assets	8,119,703	5,553,099	21,744,006	20,633,055	29,863,709	26,186,154
Total assets	<u>22,400,458</u>	<u>20,364,996</u>	<u>28,985,631</u>	<u>28,434,392</u>	<u>51,386,089</u>	<u>48,799,388</u>
Liabilities						
Current liabilities	7,336,523	6,979,179	1,154,737	611,467	8,491,260	7,590,646
Long-term liabilities	4,272,591	3,673,456	76,512	63,860	4,349,103	3,737,316
Total liabilities	<u>11,609,114</u>	<u>10,652,635</u>	<u>1,231,249</u>	<u>675,327</u>	<u>12,840,363</u>	<u>11,327,962</u>
Net Assets						
Invested in capital assets, net of related debt	4,772,732	2,615,662	21,744,006	20,633,055	26,516,738	23,248,717
Restricted assets	2,664,478	2,721,547			2,664,478	2,721,547
Unrestricted	3,354,134	4,375,152	6,010,376	7,126,010	9,364,510	11,501,162
	<u>\$ 10,791,344</u>	<u>\$ 9,712,361</u>	<u>\$ 27,754,382</u>	<u>\$ 27,759,065</u>	<u>\$ 38,545,726</u>	<u>\$ 37,471,426</u>

One of the largest portions of the Township's net assets (68.8%) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that remains outstanding. The Township uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Township's net assets are divided into the two categories of governmental activities and business-type activities. Combined net assets increased by \$1,074,300 or 2.9% during the current fiscal year. Net assets of governmental activities increased by \$1,078,983. The business-type activity net assets decreased by \$4,683.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for Services	\$ 1,177,831	\$ 1,230,453	\$5,289,428	\$5,332,479	\$ 6,467,259	\$ 6,562,932
Special assessment revenue	-	17,489			-	17,489
Operating grants and contributions	107,097	147,206			107,097	147,206
Capital grants and contributions	255,079	143,193	370,804	133,958	625,883	277,151
General revenue:						
Property taxes	6,573,276	6,129,464			6,573,276	6,129,464
State-shared revenue	1,883,016	1,874,007			1,883,016	1,874,007
Unrestricted investment earnings	583,591	586,422	296,330	300,467	879,921	886,889
Franchise fees	338,160	313,856			338,160	313,856
Gain on sale of capital assets					-	-
Miscellaneous		204,427			-	204,427
Total revenue	<u>10,918,050</u>	<u>10,646,517</u>	<u>5,956,562</u>	<u>5,766,904</u>	<u>16,874,612</u>	<u>16,413,421</u>
Expenses						
General government	2,399,102	2,308,053			2,399,102	2,308,053
Public safety	6,876,445	6,498,850			6,876,445	6,498,850
Public works	224,973	1,195,482	5,961,245	5,709,508	6,186,218	6,904,990
Community and economic development	173,047	136,831			173,047	136,831
Recreation and culture	27,125	40,830			27,125	40,830
Interest on long-term debt	138,375	125,916			138,375	125,916
Other functions					-	-
Total expenses	<u>9,839,067</u>	<u>10,305,962</u>	<u>5,961,245</u>	<u>5,709,508</u>	<u>15,800,312</u>	<u>16,015,470</u>
Change in Net Assets	<u>\$ 1,078,983</u>	<u>\$ 340,555</u>	<u>\$ (4,683)</u>	<u>\$ 57,396</u>	<u>\$ 1,074,300</u>	<u>\$ 397,951</u>

Governmental Activities. Governmental activities increased the Township's net assets by \$1,074,300, or 11%. The Township's governmental revenues equaled \$10.9 million, with the largest source being property tax revenue. Revenue rose in property taxes (7.3%), but was flat in investment income, as interest rates fell off in the latter part of the year. State revenue sharing income increased \$9,000 (0.5%). Public Safety expense increased primarily due to the purchase of new equipment. Public Works expenditures decreased because, although renovations were made to an outdoor park, the only special assessment project expenditures were for completion of a project started last year. The Township's three largest revenue sources are property taxes, State shared revenue, and charges for services at 60.2%, 17.3%, and 10.8% of total respectively.

The Township's total governmental expenditures at \$9.8 million, decreased primarily as a result of the reduction in spending on public works projects. As with most municipalities, labor cost constitutes the largest portion of the budget. Negotiations with the firefighters union were on-going at year-end for wages only on a contract that otherwise expires on December 31, 2010. The AFSCME union agreement expires December 31, 2007.

The largest services funded as governmental activities are police and fire protection under the public service category. The Township operates its own fire department, and contracts with the Macomb County Sheriff's department for police patrols.

Business-type Activities. Harrison Township's only business-type activity consists of the Water and Sewer Department. The Township operates a water distribution system providing its customers with water supplied by the cities of Detroit and Mt. Clemens. The Township also maintains a sewer collection system which is connected to the City of Detroit sewage disposal network. Revenue from operations fell slightly by 1.0%. Although revenue from utility billings did increase a modest 3%, revenue from tap and inspection fees fell 40% from prior year. Lower revenue, combined with an operating expense increase of 4.4% contributed to a loss on operations of \$665,460. Most of the expense increase was for higher charges for water purchased and sewage treatment. The cost of labor and benefits also went up 11% over last year. However when making this comparison, it should be noted that last year's wages were unusually low, because two workers were on disability leave for most of 2006. Expenses remained consistent for maintenance and supplies. Income from interest earnings on invested funds and capital contributions resulted a the small deficit (\$4,683) for the year.

Financial Analysis of the Harrison Township Funds

As noted earlier, Harrison Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$6,066,798, a decrease of \$827,551 in comparison with prior year. Approximately 78% of this total amount (\$4,714,867) constitutes *unreserved, undesignated* fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending, because it has already been committed for capital projects and debt service.

The General fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the General fund was \$3,393,720 with a total fund balance of \$3,402,320. As a measure of the General fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 118% of total General fund expenditures, net of the \$1.8 million land purchase.

The fund balance of the Township's General fund fell by \$768,513 during fiscal year 2007, due to capital expenditures. Revenues, net of loan proceeds, fell 5.9% due to a drop in the return on investments and lower grant receipts, although cable television franchise fees did increase \$24,300.

The Fire Protection Fund has a total fund balance of \$996,179, which increased by \$134,790 during the year. A new firetruck was purchased for \$486,240 from current year revenues. Fire Fund surplus is used to replace aging equipment.

The Police Fund has \$131,926 in total fund balance, having increased \$49,990 for the year. The surplus was contributed by interest income and slightly higher tax revenue than expected.

Proprietary Funds. The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the Water and Sewer fund at year-end amounted to \$27,754,382. This fund experienced a decrease in net assets of \$4,683. Net revenue decreased from last year by \$62,079, because of the reduction in non-utility revenue, and supplier charges rising 6.6%. Non-utility revenue, such as tap fees and inspections, decreased (\$205,500), as a direct result of the continued downturn in housing construction activity.

General Fund Budgetary Highlights

During the course of the year, the Township amended the budget on a number of occasions to reflect changes in spending patterns, not anticipated during the preparation of the budget. The most frequent amendments provided funding for equipment purchases out of a contingency line which was built into the budget to cover unanticipated needs throughout the year.

Capital Asset and Debt Administration

Capital Assets. Harrison Township's investment in capital assets for its governmental and business-type activities as of December 31, 2007 amounted to \$29,863,709 (net of depreciation). Investment in capital assets includes land, buildings and improvements, fire equipment, water and sewer lines, and park facilities. Capital assets increased 14% in 2007. Asset acquisitions included the vacant 155 acre parcel of land (1,800,000), a new gazebo and parking lot at Waterfront Park (\$323,475), a fire truck (\$486,000), and various other vehicles and equipment. As mentioned above, the Water Department commenced construction on 3 new pumping stations.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$2,382,084	\$580,158	\$704,292	\$704,292	\$3,086,376	\$1,284,450
Buildings & improvements	3,331,756	3,092,656	357,724	373,993	3,689,480	3,466,649
Construction in progress		-	1,846,435	78,266	1,846,435	78,266
Machinery and Equipment	1,797,521	1,356,890	234,898	366,678	2,032,419	1,723,568
Infrastructure	608,342	523,395	18,600,657	19,109,826	19,208,999	19,633,221
Total	<u>\$ 8,119,703</u>	<u>\$ 5,553,099</u>	<u>\$ 21,744,006</u>	<u>\$ 20,633,055</u>	<u>\$ 29,863,709</u>	<u>\$ 26,186,154</u>

Long-term Debt. At the end of the current fiscal year, the Township had total debt outstanding of \$4,349,103. Of this amount, \$820,000 comprises debt backed by the full faith and credit of the Township, and \$1,565,000 is special assessment debt for which the Township is liable in the event of default by the property owners subject to the assessments. The general obligation bonds were issued in prior years for construction of the new fire station. There was no outstanding debt at year end for Water & Sewer system projects. The Township has a long term loan for the vacant land purchase of \$834,230 and two equipment leases outstanding totaling \$127,740 for various pieces of firefighting equipment.

Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 820,000	\$ 870,000	\$ -	\$ -	\$ 820,000	\$ 870,000
Special assessment debt			-	-		
with governmental commitment	1,565,000	1,810,000	-	-	1,565,000	1,810,000
Other long-term obligations	961,971	257,437	-	-	961,971	257,437
Compensated Absences	925,620	736,019	76,512	63,860	1,002,132	799,879
Total	<u>\$ 4,272,591</u>	<u>\$ 3,673,456</u>	<u>\$ 76,512</u>	<u>\$ 63,860</u>	<u>\$ 4,349,103</u>	<u>\$ 3,737,316</u>

The Township's total debt increased by \$611,787, or 16.4% during the fiscal year. No new special assessment bonds were issued this year. The only new debt entered into was the \$900,000 loan for the purchase of vacant land. Regularly scheduled debt payments were made in the amount of \$487,450.

Economic Factors and Next Year's Budgets and Rates

The following are some of the factors considered in preparing the fiscal year 2008 budget.

The State of Michigan's economy continues to convert from manufacturing to a service industry base which has resulted in continued job losses in industries, such as construction and manufacturing. The unemployment rate in Michigan rose from 7.3% to 7.9% from March, 2007 to March, 2008, according to the U.S. Department of Labor. For the Detroit metropolitan area, the unemployment rate increased from 7.4 to 8.1% over the same time period. By comparison, the national unemployment rates were 5.0% and 4.5% this year and last. The economy has had an impact on some portion of the Township's residents, and the companies in the Township's industrial corridor.

Fiscal year 2008 is the second year of a three year millage approved by the Township residents in August, 2006. At that time, the Township residents approved a millage rate of 6.6876 for the years 2007 through 2009. Although the millage was approved for this higher rate, the Board of Trustees chose to set the rate in 2008 at the same rate as 2007, which was at 6.67 mills.

Revenue constraints with increased costs combined to present a challenge in developing the fiscal year 2008 budget. On the revenue side, as a result of continued state budget problems and the slow state economy, state shared revenues (the Township's third largest revenue source) were expected to remain sluggish. On the expenditure side, spending pressures have resulted partially from personnel benefit costs, particularly health insurance premium and pension contribution expenses. Expenditures for repairs and maintenance as well as temporary staffing positions were curtailed in order to balance the 2008 budget.

The Township incurred a 15% increase in group health insurance premiums in 2008, and has been reviewing different options to reduce health care and retiree health care costs in the future. The Township's funded ratio for the actuarial accrued liability for the general Employees pension was at 82.9% and for the Firefighters pension was at 92.9%, as of December 31, 2006 (the date of the last available actuarial valuation.) The Township began making modest contributions annually to a fund for retiree health care costs in 2004. The contribution was lowered from 10% of gross payroll in 2007 to 8.5% in 2008 because of budget constraints.

The Township will soon be required to recognize the cost of retiree health care and other non-pension postretirement benefits over the working life of the employee, rather than at the time the healthcare premiums are paid. A new Governmental Accounting Standards Board requirement (GASB 45) will require the Township to calculate and report an actuarially determined annual liability for future postretirement benefits other than pension. A strategy will need to be developed to properly recognize and fund the financial commitments made to employees and retirees.

Harrison is a fully developed small township and as such depends on growth in property values to offset growth in expenditures that are supported by taxes, and to offset reductions in state-shared revenues. Negative influences on the budget were mitigated by an overall increase of 5.9% in taxable values as a result of the State mandated increase to property values. Property taxes comprise 41% of the Township's total revenues.

The Township has experienced no specific events which will materially impact its finances but certain long-term trends such as capped property tax revenues and shrinking state-shared revenues will have an impact on the Township's ability to provide services as costs are influenced by inflation.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for those with an interest in Harrison Township. Questions concerning any of the information should be addressed to the Township Accounting Department, 38151 L'Anse Creuse, Harrison Township, MI 48045.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 4,356,704	\$ 4,970,282	\$ 9,326,986	\$ 13,114
Investments	1,200,030	746,000	1,946,030	-
Receivables (net of allowance)	8,573,900	1,356,865	9,930,765	-
Internal balance	48,419	(48,419)	-	-
Inventory	-	191,927	191,927	-
Prepaid expenses/deposits	101,702	24,970	126,672	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	2,382,084	2,550,727	4,932,811	-
Assets being depreciated	5,737,619	19,193,279	24,930,898	-
Total Assets	<u>22,400,458</u>	<u>28,985,631</u>	<u>51,386,089</u>	<u>13,114</u>
LIABILITIES:				
Payables and accrued liabilities	388,821	1,154,737	1,543,558	-
Accrued interest	43,219	-	43,219	-
Unearned revenue	6,904,483	-	6,904,483	-
Non-current liabilities		-		
Accrued compensated absences	925,620	76,512	1,002,132	-
Due within one year	559,111	-	559,111	-
Due in more than one year	2,787,860	-	2,787,860	-
Total Liabilities	<u>11,609,114</u>	<u>1,231,249</u>	<u>12,840,363</u>	<u>-</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	4,772,732	21,744,006	26,516,738	-
Restricted				
Acquisition/construction of capital assets	211,186	-	211,186	-
Public Safety	1,242,746	-	1,242,746	-
Recreation and culture	22,515	-	22,515	-
Grants	55,886	-	55,886	-
Debt Service	1,132,145	-	1,132,145	-
Unrestricted	<u>3,354,134</u>	<u>6,010,376</u>	<u>9,364,510</u>	<u>13,114</u>
Total Net Assets	<u>\$ 10,791,344</u>	<u>\$ 27,754,382</u>	<u>\$ 38,545,726</u>	<u>\$ 13,114</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 2,399,102	\$ 235,079	\$ 93,571	\$ 193,024
Public Safety	6,876,445	935,368	609	62,055
Public Works	224,973	-	12,917	-
Recreation and Culture	27,125	7,384	-	-
Community and Economic Development	173,047	-	-	-
Interest on Long Term Debt	138,375	-	-	-
Total governmental activities	9,839,067	1,177,831	107,097	255,079
Business type activities				
Water and Sewer	5,961,245	5,289,428	-	370,804
Total Primary Government	15,800,312	6,467,259	107,097	625,883
Component Unit - Economic Development Corporation	\$ -	\$ -	\$ -	\$ -
General revenues:				
Property taxes / assessments				
State shared revenue				
Unrestricted investment income				
Franchise Fees				
Total general revenues				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		Total	Component Unit
Governmental Activities	Business Type Activities		
\$(1,877,428)	\$ -	\$(1,877,428)	\$ -
(5,878,413)	-	(5,878,413)	-
(212,056)	-	(212,056)	-
(19,741)	-	(19,741)	-
(173,047)	-	(173,047)	-
(138,375)	-	(138,375)	-
(8,299,060)	-	(8,299,060)	-
-	(301,013)	(301,013)	-
(8,299,060)	(301,013)	(8,600,073)	-
-	-	-	-
6,573,276	-	6,573,276	-
1,883,016	-	1,883,016	-
583,591	296,330	879,921	590
338,160	-	338,160	-
9,378,043	296,330	9,674,373	590
1,078,983	(4,683)	1,074,300	590
9,712,361	27,759,065	37,471,426	12,524
<u>\$ 10,791,344</u>	<u>\$ 27,754,382</u>	<u>\$ 38,545,726</u>	<u>\$ 13,114</u>

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2007

	General	Fire	Police	Debt Service
ASSETS				
Current assets -				
Cash and cash equivalents	\$ 1,288,486	\$ 1,534,099	\$ 254,050	\$ 960,830
Investment	1,100,030	-	-	-
Receivables -				
Property taxes	345,831	4,754,642	1,231,200	-
Interest and accounts	301,825	77,058	807	3,183
Special assessments	46,748	-	-	961,784
Due from other governmental units -				
Federal/State	645,822	-	-	-
Due from other funds	199,838	549	-	-
Prepays/deposits	8,600	-	-	-
Total Assets	<u>\$ 3,937,180</u>	<u>\$ 6,366,348</u>	<u>\$ 1,486,057</u>	<u>\$ 1,925,797</u>
Liabilities:				
Accounts payable	\$ 148,489	\$ 77,678	\$ -	\$ -
Accrued liabilities	30,041	64,570	-	-
Due to other funds	-	-	-	-
Deferred revenue	356,330	5,227,921	1,354,131	793,652
Total Liabilities	<u>534,860</u>	<u>5,370,169</u>	<u>1,354,131</u>	<u>793,652</u>
Fund Balances:				
Reserved				
Prepays	8,600	-	-	-
Debt Service	-	-	-	1,132,145
Capital Projects	-	-	-	-
Unreserved -				
Undesignated -				
General Fund	3,393,720	-	-	-
Special Revenue Funds	-	996,179	131,926	-
Total Equity	<u>3,402,320</u>	<u>996,179</u>	<u>131,926</u>	<u>1,132,145</u>
Total Liabilities and Fund Equity	<u>\$ 3,937,180</u>	<u>\$ 6,366,348</u>	<u>\$ 1,486,057</u>	<u>\$ 1,925,797</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 319,239	\$ 4,356,704
100,000	1,200,030
-	6,331,673
50,660	433,533
-	1,008,532
42,618	688,440
-	200,387
-	8,600
<u>\$ 512,517</u>	<u>\$ 14,227,899</u>

\$ 56,566	\$ 282,733
11,477	106,088
40,246	40,246
-	7,732,034
<u>108,289</u>	<u>8,161,101</u>

-	8,600
-	1,132,145
211,186	211,186
-	3,393,720
193,042	1,321,147
<u>404,228</u>	<u>6,066,798</u>
<u>\$ 512,517</u>	<u>\$ 14,227,899</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund Balances - total governmental funds	\$	6,066,798
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Capital assets	11,290,279	
Accumulated depreciation	<u>(3,170,576)</u>	8,119,703

Expenses recorded in the funds on the purchase method		93,102
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Other Long-term assets are not available to pay for current period expenditures
and, therefore, are deferred in the funds

Delinquent personal property taxes (net of allowance)	33,899	
Special assessments	<u>793,652</u>	827,551

Long - term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Bonds/Notes Payable	(3,346,971)	
Compensated absences	(925,620)	
Accrued interest	<u>(43,219)</u>	<u>(4,315,810)</u>

Net Assets of governmental activities	\$	<u>10,791,344</u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Fire	Police	Debt Service
Revenues:				
Taxes	\$ 378,469	\$ 4,913,219	\$ 1,272,767	\$ -
Licenses and permits	339,935	-	-	-
Intergovernmental -				
Federal/State	1,925,032	62,055	-	-
Charges for services	162,863	365,946	-	-
Fines and forfeits	3,940	-	-	-
Special assessments	-	-	-	184,943
Interest and rent	298,251	138,061	28,584	102,659
Other	106,045	1,378	-	-
Total Revenues	<u>3,214,535</u>	<u>5,480,659</u>	<u>1,301,351</u>	<u>287,602</u>
Expenditures:				
Current -				
General Government	4,292,540	-	-	-
Public Safety	104,708	5,118,364	1,251,359	1,737
Public Works	193,887	-	-	-
Recreation and Cultural	16,683	-	-	-
Community and Economic Development	-	-	-	-
Debt Service				
Principal	65,768	129,698	-	295,000
Interest and fees	20,345	6,642	-	131,504
Total Expenditures	<u>4,693,931</u>	<u>5,254,704</u>	<u>1,251,359</u>	<u>428,241</u>
Excess of revenues over (under) expenditures	<u>(1,479,396)</u>	<u>225,955</u>	<u>49,992</u>	<u>(140,639)</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	91,165
Transfers to other funds	(189,117)	(91,165)	-	-
Note proceeds	900,000	-	-	-
Total Other Financing Sources (Uses)	<u>710,883</u>	<u>(91,165)</u>	<u>-</u>	<u>91,165</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(768,513)</u>	<u>134,790</u>	<u>49,992</u>	<u>(49,474)</u>
Fund Balances at beginning of year	<u>4,170,833</u>	<u>861,389</u>	<u>81,934</u>	<u>1,181,619</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances at beginning of year as restated	<u>4,170,833</u>	<u>861,389</u>	<u>81,934</u>	<u>1,181,619</u>
Fund Balances at end of year	<u>\$ 3,402,320</u>	<u>\$ 996,179</u>	<u>\$ 131,926</u>	<u>\$ 1,132,145</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 6,564,455
267,920	607,855
274,171	2,261,258
298,769	827,578
-	3,940
-	184,943
16,036	583,591
2,674	110,097
<u>859,570</u>	<u>11,143,717</u>
-	4,292,540
615,290	7,091,458
451,976	645,863
-	16,683
173,798	173,798
-	490,466
-	158,491
<u>1,241,064</u>	<u>12,869,299</u>
(381,494)	(1,725,582)
189,117	280,282
-	(280,282)
-	900,000
<u>189,117</u>	<u>900,000</u>
(192,377)	(825,582)
<u>596,605</u>	<u>6,892,380</u>
-	-
<u>596,605</u>	<u>6,892,380</u>
<u>\$ 404,228</u>	<u>\$ 6,066,798</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds	\$	825,582)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,953,565		
Depreciation expense	(379,361)		
Loss on sale/disposal of capital assets.	(7,600)		2,566,604

Change in prepaid expenses recorded in the funds on the purchase method		93,102
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Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments	(184,943)		
Delinquent personal property taxes (net of allowance)	8,821	(176,122)	

The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however has any effect on net assets.

Principal payments on long term liabilities	490,466		
Note proceeds	(900,000)	(409,534)	

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Decrease in accrued interest payable	20,116		
Increase in accrued compensated absences	(189,601)	(169,485)	

Change in net assets of governmental activities	\$	<u><u>1,078,983</u></u>
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The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
DECEMBER 31, 2007

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 4,970,282
Investments	746,000
Accounts receivable	1,133,250
Due from other governmental units -	
Federal/State	96,291
Prepaid health insurance	24,970
Inventory	191,927
Due from other funds	127,324
Total Current Assets	<u>7,290,044</u>

Property, Plant and Equipment:

Land	704,292
Equipment	37,898,821
Construction in progress	<u>1,846,435</u>
	40,449,548
Less - accumulated depreciation	<u>(18,705,542)</u>
	<u>21,744,006</u>

Total Assets	<u>29,034,050</u>
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LIABILITIES:

Current Liabilities:

Accounts payable	1,129,272
Accrued expenses	25,465
Due to other funds	<u>48,419</u>
Total Current Liabilities	1,203,156

Long-term Liabilities:

Accrued vacation and sick	<u>76,512</u>
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Total Liabilities	<u>1,279,668</u>
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NET ASSETS:

Investment in capital assets, net of related debt	21,744,006
Unrestricted	
Designated	2,351,170
Undesignated	<u>3,659,206</u>
Total Net Assets	<u>\$ 27,754,382</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

Operating Revenues:

Charges for services - user charges	\$ 5,163,804
Penalty on delinquent accounts	111,447
Grant income	6,357
Other revenue	14,177
Total Operating Revenues	<u>5,295,785</u>

Operating Expenses:

Personal services	1,493,523
Cost of water purchased	1,099,733
Cost of sewage treatment	1,910,951
Operation and maintenance	553,536
Depreciation	903,502
Total Operating Expenses	<u>5,961,245</u>

Operating Income (Loss)	(665,460)
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Non-Operating Revenues (Expenses):

Interest Income	<u>296,330</u>
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Net Income (Loss) Before Capital Contributions	(369,130)
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Capital Contributions:

364,447

Change in Net Assets	(4,683)
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Net assets at beginning of year	<u>27,759,065</u>
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Net Assets end of year	<u><u>\$ 27,754,382</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash Flows From Operating Activities:

Cash receipts from customers	\$ 5,381,782
Cash payments to suppliers	(3,656,058)
Cash payments to employees	(1,609,385)
Net Cash Provided by Operating Activities	<u>116,339</u>

Cash Flows From Noncapital Financing Activities:

Due to other funds	(259,694)
--------------------	------------

Cash Flows From Capital and Related

Financing Activities:

Capital Contributions	364,447
Acquisition and construction of capital assets	(1,441,525)
Net Cash Used by Capital and Related Financing Activities	<u>(1,077,078)</u>

Cash Flows From Investing Activities:

Sale of investments	4,204,000
Interest earned	296,330
Net Cash Provided by Investing Activities	<u>4,500,330</u>

Net Increase in Cash and Cash

Equivalents for the year	3,279,897
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Cash and Cash Equivalents at Beginning of Year

1,690,385

Cash and Cash Equivalents at End of Year

\$ 4,970,282

Reconciliation of Net Loss to

Net Cash Provided by Operating Activities:

Operating loss for the year	\$(665,460)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	903,502
Change in assets and liabilities:	
Receivables	85,997
Inventory	(38,400)
Prepaid expenses	(24,970)
Accounts payable/accrued expenses	(17,006)
Due from other governmental units	(127,324)
Net Cash Provided By Operating Activities	<u>\$ 116,339</u>

The accompanying notes are an integral part of these financial statements

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	Pension and Other Employee Benefit Trusts	Agency Funds
ASSETS:		
Cash and cash equivalents	\$ 1,664,121	\$ 2,642,177
Investments		
Certificates of deposit	-	-
U.S. treasury and agency securities	2,691,237	-
Mortgage/asset backed securities	572,604	-
Commercial paper	93,000	75,000
Corporate debt	2,577,132	-
Unit investment trusts	48,339	-
International bonds	14,664	-
Stock/equities	8,138,797	-
Open end mutual funds	12,265,747	-
Closed end mutual funds	1,950,762	-
REIT's / Tangibles	274,347	-
Alternative investments (hedge funds)	399,746	-
Receivables:		
Employer contributions	64,343	-
Accrued interest	30,942	3,247
Total assets	<u>\$ 30,785,781</u>	<u><u>\$ 2,720,424</u></u>
LIABILITIES:		
Accounts payable	\$ -	\$ 2,988
Pending trades	10,664	-
Due to other funds	-	239,046
Due to other governmental units	-	1,315
Bonds and deposits	-	698,562
Undistributed Taxes and fees	-	1,778,513
Total liabilities	<u>10,664</u>	<u><u>\$ 2,720,424</u></u>
ASSETS		
Held in trust for pension benefits and other purposes	<u><u>\$ 30,775,117</u></u>	

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions	
Employer contributions	\$ 1,349,673
Plan Member contributions	<u>199,962</u>
Total contributions	<u>1,549,635</u>
Investment income	
Net appreciation in fair value	1,045,360
Interest and dividends	<u>944,982</u>
Total investment income	1,990,342
Less investment expense	<u>(73,895)</u>
Net investment income	<u>1,916,447</u>
Total Additions	3,466,082
Deductions	
Benefits and refunds to participants	<u>1,824,525</u>
Net increase in plan net assets	1,641,557
Net assets held in trust for pension benefits - beginning of year	<u>29,133,560</u>
Net assets held in trust for pension benefits - end of year	<u><u>\$ 30,775,117</u></u>

The accompanying notes are an integral part of these financial statements

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Charter Township of Harrison, Michigan, a Municipal Corporation, was organized as a Township in 1827, under provisions of the constitution and general law of the State of Michigan and became a Charter Law Township on November 13, 1978, under Public Act 359, the Charter Township Act. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and recreation, planning and economic development, and general administrative services.

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governments' operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

BLENDED COMPONENT UNITS –

The Township Building Authority is governed by the board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Building Authority was inactive during 2007 and has no assets or liabilities.

DISCRETELY PRESENTED COMPONENT UNITS –

The Economic Development Corporation is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the Township. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The Corporation's governing body is selected by the board of trustees.

JOINT VENTURE –

The Charter Township's of Harrison and Clinton and the City of Mount Clemens entered into a joint venture for the management and operation of the 41-B Judicial District Court. A committee of one representative from each community oversees the administration and management of the Court. Revenues generated from fines, fees, costs, etc. from the boundaries of each unit are deposited directly with the Court but maintained by the unit. Expenditures for the Court, including operations and maintenance, debt retirement and improvements are allocated to each unit based on the number of cases for each municipality with any surplus or shortage the responsibility of the individual municipality. In connection, the Charter Township of Clinton has issued \$13.5 million of General Obligation Limited Tax Capital Improvement Bonds for the purpose of constructing, equipping and furnishing a new Court facility. The full faith and credit of each member is pledged for the repayment of bonds. The financial statements for the Court can be obtained at 41-B District Court, One Crocker Boulevard, Mt. Clemens, Michigan, 48043.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2006 levy in 2007). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State shared revenue, interest, licenses and permits associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

Police Fund – is a special revenue fund used to account for a tax levy for the purpose of providing police protection for the Township.

Debt Service Fund – is used to account for the accumulation of resources for, and the payment of principal and interest on long-term debt of governmental funds.

The Township reports the following major proprietary fund:

Water and Sewer Fund – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users. Funding is provided primarily through user charges.

Additionally, the Township reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Pension Trust and Other Employee Trust Funds – are used to accumulate resources for the pension and health benefits for qualified employees.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).

Agency Funds – are used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand, and certificates of deposits with original maturities of three months or less from the date of acquisition demand deposits. The investment trusts/money market funds have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonable approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items.

Property Tax Calendar –

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. On December 1, the property tax is an enforced lien on property and is payable by the last day of the following February. Property taxes are recognized as revenues in the year they were intended to finance (the 2006 levy is recognized in 2007).

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 (\$35,000 for infrastructure) and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Storm drains	50
Buildings and improvements	10-45
Machinery and equipment	5-20
Water and sewer lines and mains	27-50

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information –

The Township Supervisor, in conjunction with the Director of Finance and Department Heads, prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the total expenditure level for the General and Special Revenue Funds. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the fiscal year ended December 31, 2007, the Township incurred expenditures, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund	\$ 4,647,322	\$ 4,693,931	\$ 46,609

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2007, the carrying amount of the deposits and investments is \$44,693,803 as follows:

	<u>Primary Government</u>	<u>Fiduciary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash on Hand				
Petty Cash	\$ 1,450	\$ -	\$ -	\$ 1,450
Deposits with Financial Institutions -				
Checking	\$ 1,098,867	\$ 762,805	\$ 644	\$ 1,862,316
Certificates of Deposit	6,249,437	1,254,000	-	7,503,437
Total Deposits	\$ 7,348,304	\$ 2,016,805	\$ 644	\$ 9,365,753

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

	Primary Government	Fiduciary Government	Component Unit	Reporting Entity
Investments				
Money Market Fund	\$ 1,977,232	\$ 2,289,493	\$ 12,470	\$ 4,279,195
U.S. Treasury and Agency Securities	-	2,691,237	-	2,691,237
Mortgage/Asset Backed Securities	-	572,604	-	572,604
Commercial Paper	1,946,030	168,000	-	2,114,030
Corporate Debt	-	2,577,132	-	2,577,132
Foreign Bonds	-	14,664	-	14,664
Unit Investment Trusts	-	48,339	-	48,339
Stock/Equities	-	8,138,797	-	8,138,797
Open End Mutual Funds	-	12,265,747	-	12,265,747
Closed End Mutual Funds	-	1,950,762	-	1,950,762
REIT's/Tangibles	-	274,347	-	274,347
Alternative Investments (Hedge Funds)	-	399,746	-	399,746
Total Investments	<u>3,923,262</u>	<u>31,390,868</u>	<u>12,470</u>	<u>35,326,600</u>
Total Cash on Hand, Deposits and Investments	<u>\$ 11,273,016</u>	<u>\$ 33,407,673</u>	<u>\$ 13,114</u>	<u>\$ 44,693,803</u>
Reconciliation to Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Petty Cash	\$ 1,450	\$ -	\$ -	\$ 1,450
Checking	1,098,867	762,805	644	1,862,316
Certificates of Deposit	6,249,437	1,254,000	-	7,503,437
Money Market Fund	<u>1,977,232</u>	<u>2,289,493</u>	<u>12,470</u>	<u>4,279,195</u>
Total Cash and Cash Equivalents	<u>9,326,986</u>	<u>4,306,298</u>	<u>13,114</u>	<u>13,646,398</u>
Reported as Investments -				
U.S. Treasury and Agency Securities	-	2,691,237	-	2,691,237
Mortgage/Asset Backed Securities	-	572,604	-	572,604
Commercial Paper	1,946,030	168,000	-	2,114,030
Corporate Debt	-	2,577,132	-	2,577,132
Foreign Bonds	-	14,664	-	14,664
Unit Investment Trusts	-	48,339	-	48,339
Stock/Equities	-	8,138,797	-	8,138,797
Open End Mutual Funds	-	12,265,747	-	12,265,747
Closed End Mutual Funds	-	1,950,762	-	1,950,762
REIT's/Tangibles	-	274,347	-	274,347
Alternative Investments (Hedge Funds)	-	399,746	-	399,746
Total Investments	<u>1,946,030</u>	<u>29,101,375</u>	<u>-</u>	<u>31,047,405</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 11,273,016</u>	<u>\$ 33,407,673</u>	<u>\$ 13,114</u>	<u>\$ 44,693,803</u>

Deposits -

Act 217 PA 1982, as amended, authorizes the Township to deposit in certificate of deposit, saving accounts depository accounts, or depository receipts of a state or nationally chartered bank or state or federal chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintain a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended by section 21.145 and 21.146 of the Michigan Compiled Laws.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Custodial Credit Risk – Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Township, as of December 31, 2007, the book value of the Township's deposits was \$9,373,832 with a corresponding bank balance of \$9,467,042. Insured deposits were \$600,644, and the remaining \$8,866,398 was uninsured and uncollateralized.

The Township's investment policy allows for the use of bank deposits, including certificates of deposit. There are no limitations placed on the use of bank deposits or the amount that can be deposited with any financial institution.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution and assesses the level of risk. The Township uses only those financial institutions with an acceptable estimated risk level as depositories.

Investments -

The Township's investment policy and Act 20 of the Michigan Public Acts of 1943, as amended, authorizes the City to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposits, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township policy is to invest in a manner which will ensure the preservation of principle, while providing the highest investment return with maximum security, meeting daily cash flow requirements of the Township and conforming to all statutes governing the investment of public funds.

Cash and investments of the Township's retirement system are subject to the requirements of the Public Employee Retirement System Investments Act (MCL 38.1132).

Credit Risk – Investments – is the risk that an issuer of or other counterparty to an investment will not fulfill its obligations.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

The Township investment policy and state law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical organizations for the primary government. The Harrison Township Employees' Pension System specifies that all debt securities must have a qualifying rating of BBB (or equivalent) or above by one of the major rating agencies at the time of issue. The Harrison Township Firefighter's Pension System specifies that all debt securities must have a qualifying rating of A or better at the time of purchase. As of year-end, the credit quality ratings of investments are as follows:

Investments	Fair Market Value		Rating	Rating Organization
	Primary Government	Fiduciary Unit		
Commercial Paper	\$ 1,946,030	\$ 168,000	AAA	S & P
Corporate Debt	-	132,795	AAA	S & P
Mortgage and Asset Backed Securities	-	572,604	AAA	S & P
Corporate Debt	-	55,103	AA	S & P
Corporate Debt	-	30,568	AA-	S & P
Corporate Debt	-	350,545	A+	S & P
Corporate Debt	-	437,608	A	S & P
Corporate Debt	-	101,782	A-	S & P
Foreign Bond	-	14,664	A-	S & P
Corporate Debt	-	351,244	BBB+	S & P
Corporate Debt	-	121,457	BBB	S & P
Corporate Debt	-	181,953	BBB-	S & P
Corporate Debt	-	303,095	BB+	S & P
Corporate Debt	-	67,626	BB	S & P
Corporate Debt	-	68,844	B	S & P
Corporate Debt	-	180,640	B-	S & P
Corporate Debt	-	117,920	CCC+	S & P
Corporate Debt	-	75,952	A1	Moody's

In addition, the Township utilizes a money market fund designed for governmental units in the State of Michigan, which invests primarily in commercial paper, repurchase agreements and U.S. government or its agencies. The fund had an average weighted maturity of 22 days and a rating of Aaa by Moody's investor service. The balance of December 31, 2007 was \$4,279,195.

Custodial Credit Risk – Investments – is the risk that in the event of the failure of the counterparty, the Township may not be able to recover the value of its investments that are in the possession of another party. The Township's policy requires that securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. As of December 31, 2007, \$31,047,405 of investments were held in third-party safekeeping not in the Township's name; however, they were evidenced by safekeeping receipts.

Concentration of Credit Risk – Investments – is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

Primary Government – The Township places no limits on the amounts the Township may invest with a single issuer.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Fiduciary Units – The Harrison Township Employees' Pension System requires that certain minimums and maximums may be invested in any asset class (Equities, Fixed Income Securities, and Cash and Cash Equivalents). Also, securities of any one company should not exceed 5% of the total fund, and no more than 20% of the fund should be invested in any one industry, with the exception of securities issued by the U.S. Government, its agencies, government sponsored enterprises, and mutual funds, which are excluded from this requirement.

The Harrison Township Firefighter's Pension System specifies that certain minimums and maximums may be invested in any asset class (Equities, Bonds, Cash). Also, no more than \$500,000 or 10% of the fund, whichever is greater, may be invested in any one company.

Interest Rate Risk – Investments – is the risk that the value of investments will decrease as a result of a rise in the interest rates. The investment policy adopted by the Township for the primary government specifies the investment portfolio shall be designed with the objective of obtaining a rate of return throughout the budgetary and economic cycle taking into account the investment risk contracts and cash flow characteristics of the portfolio. At year-end, the Township's investments had the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years)			
		<1	1-5	6-10	>10
Primary Government					
Commercial Paper	\$ 1,946,030	\$ 1,946,030	\$ -	\$ -	\$ -
Total Primary Government	1,946,030	1,946,030	-	-	-
Fiduciary Government					
U.S. Treasury Securities	2,691,237	-	67,473	280,615	2,343,149
Mortgage and Asset Backed Securities	572,604	-	116,377	-	456,227
Commercial Paper	168,000	168,000	-	-	-
Corporate Debt – Other	2,577,132	197,761	1,007,516	696,511	675,344
Foreign Bond	14,664	-	-	-	14,664
Total Fiduciary Government	6,023,637	365,761	1,191,366	977,126	3,489,384
Total Reporting Entity Investments	\$ 7,969,667	\$ 2,311,791	\$ 1,191,366	\$ 977,126	\$ 3,489,384

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 6,331,673	\$ -
Special Assessments	1,008,532	-
Accounts and Interest	474,943	1,133,250
Due from Fiduciary Funds	111,722	127,324
Intergovernmental	688,440	96,291
	8,615,310	1,356,865
Allowance for Doubtful Accounts	(41,410)	-
	\$ 8,573,900	\$ 1,356,865

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 4 - RECEIVABLES – (cont'd):

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the components of deferred revenue reported in the governmental funds was as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Property Taxes	\$ 1,770	\$ 354,560
Fire Fund		
Property Taxes	25,637	5,202,284
Police Fund		
Property Taxes	6,492	1,347,639
Debt Service Fund		
Special Assessments	<u>793,652</u>	<u>-</u>
	<u>\$ 827,551</u>	<u>\$ 6,904,483</u>

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2007:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Building Inspection Fund	\$ 20,611 (2)
	Building & Site Fund	16,623 (2)
	Water and Sewer Fund	47,870 (1)
	Special Assessment Revolving Fund	3,012 (3)
	Trust and Agency Fund	49,943 (3)
	Taxes Fund	61,779 (3)
Fire Fund	Water and Sewer Fund	549 (1)
Water and Sewer Fund	Trust and Agency Fund	<u>127,324 (4)</u>
		<u>\$ 327,711</u>

- (1) Amount due for reimbursement of expenditures/expenses
- (2) Short-term borrowing of cash
- (3) Interest income due to General Fund
- (4) Transfer of inspection fees

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Grant Fund	General Fund	\$ 51,064 (1)
Debt Service Fund	Fire Fund	91,165 (2)
Building and Site Fund	General Fund	<u>138,053 (3)</u>
		<u>\$ 280,282</u>

(1) Reimbursement of expense

(2) Transfer of debt service obligations for payment

(3) Transfer for capital improvements

NOTE 6 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2007 was as follows:

	<u>Jan. 1, 2007 Balance</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Dec. 31, 2007 Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated,				
Land	<u>\$ 580,158</u>	<u>\$ 1,809,526</u>	<u>\$ 7,600</u>	<u>\$ 2,382,084</u>
Capital Assets being depreciated				
Buildings	3,837,390	353,414	-	4,190,804
Machinery and Equipment	3,273,131	680,879	37,558	3,916,452
Infrastructure – Storm Drains	<u>691,193</u>	<u>109,746</u>	<u>-</u>	<u>800,939</u>
Total capital assets being depreciated	<u>7,801,714</u>	<u>1,144,039</u>	<u>37,558</u>	<u>8,908,195</u>
Less accumulated depreciation				
Buildings	744,734	114,314	-	859,048
Machinery and Equipment	1,916,241	240,248	37,558	2,118,931
Infrastructure – Storm Drains	<u>167,798</u>	<u>24,799</u>	<u>-</u>	<u>192,597</u>
Total accumulated depreciation	<u>2,828,773</u>	<u>379,361</u>	<u>37,558</u>	<u>3,170,576</u>
Total capital assets, depreciable, net	<u>4,972,941</u>	<u>764,678</u>	<u>-</u>	<u>5,737,619</u>
Governmental activities capital assets, net	<u>\$ 5,553,099</u>	<u>\$ 2,574,204</u>	<u>\$ 7,600</u>	<u>\$ 8,119,703</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 6 - CAPITAL ASSETS – (cont'd):

	Jan. 1, 2007 <u>Balance</u>	<u>Additions</u>	Disposals/ <u>Adjustments</u>	Dec. 31, 2007 <u>Balance</u>
Business-type Activities:				
Capital Assets not being depreciated				
Land	\$ 704,292	\$ -	\$ -	\$ 704,292
Construction in progress	<u>78,266</u>	<u>1,971,730</u>	<u>203,561</u>	<u>1,846,435</u>
Total capital assets being depreciated	<u>782,558</u>	<u>1,971,730</u>	<u>203,561</u>	<u>2,550,727</u>
Capital Assets being depreciated				
Buildings	689,549	-	-	689,549
Water mains and lines	10,959,235	6,018	-	10,965,253
Sewer mains and lines	23,548,349	197,543	-	23,745,892
Sprinkler (water main improvement)	70,656	-	-	70,656
Machinery and equipment	<u>2,443,865</u>	<u>42,723</u>	<u>59,117</u>	<u>2,427,471</u>
Total capital assets being depreciated	<u>37,711,654</u>	<u>246,284</u>	<u>59,117</u>	<u>37,898,821</u>
Less accumulated depreciation				
Buildings	315,556	16,269	-	331,825
Water mains and lines	4,264,783	219,084	-	4,483,867
Sewer mains and lines	11,187,381	492,233	-	11,679,614
Sprinkler (water main improvement)	16,250	1,413	-	17,663
Machinery and equipment	<u>2,077,187</u>	<u>174,503</u>	<u>59,117</u>	<u>2,192,573</u>
Total accumulated depreciation	<u>17,861,157</u>	<u>903,502</u>	<u>59,117</u>	<u>18,705,542</u>
Total capital assets being depreciated, Net	<u>19,850,497</u>	<u>(657,218)</u>	<u>-</u>	<u>19,193,279</u>
Business activities capital assets, net	<u>\$ 20,633,055</u>	<u>\$ 1,314,512</u>	<u>\$ 203,561</u>	<u>\$21,744,006</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 103,502
Public Safety	252,740
Public Works	12,311
Community and Economic Development	366
Recreation and Culture	<u>10,442</u>
Total depreciation expense – governmental activities	<u>\$ 379,361</u>
Business-type Activities:	
Water Fund	\$ 220,497
Sewer Fund	<u>683,005</u>
Total depreciation expense-business-type activities	<u>\$ 903,502</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 7 - LONG-TERM DEBT:

The following is a summary of changes in long-term liabilities (including current portions) for the year ended December 31, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental-type Activities					
General obligation bonds:					
2002 Fire Station Unlimited Tax General Obligation Bonds					
Amount of issue: \$995,000					
Maturing through March 1, 2017					
Interest rate ranges: 4.50% - 5.20%	\$ 870,000	\$ -	\$(50,000)	\$ 820,000	\$ 50,000
Special assessment bonds:					
1998 Paving District No. 199, 200 and 201 Limited Tax Bonds					
Amount of issue: \$515,000					
Maturing through March 1, 2008					
Interest rate ranges: 4.30% - 6.00%	105,000	-	(50,000)	55,000	55,000
2001 Paving District No. 202 Limited Tax Bonds					
Amount of issue: \$205,000					
Maturing through: February 1, 2011					
Interest rate ranges: 3.80% - 4.70%	105,000	-	(25,000)	80,000	20,000
2002 Paving District No. 203 Limited Tax Bonds					
Amount of issue: \$420,000					
Maturing through: February 1, 2012					
Interest rate ranges: 3.75% - 6.75%	260,000	-	(45,000)	215,000	45,000
2004 Dredging District No. 204 Limited Tax Bonds					
Amount of issue: \$225,000					
Maturing through: February 1, 2014					
Interest rate ranges: 3.20% - 6.20%	185,000	-	(25,000)	160,000	20,000
2005 Lakeshore/Lakeville No. 205 Limited Tax Bonds					
Amount of issue: \$220,000					
Maturing through: October 1, 2015					
Interest rate ranges: 4.00% - 4.50%	205,000	-	(25,000)	180,000	25,000
2006 Venice Shores No. 206 Limited Tax Bonds					
Amount of issue: \$950,000					
Maturing through: February 1, 2016					
Interest rate ranges: 4.125% - 4.25%	950,000	-	(75,000)	875,000	100,000
Other long-term obligations					
Equipment loan – Firetruck	204,148	-	(99,942)	104,206	104,206
Capital lease - Breathing apparatus (1)	53,289	-	(29,756)	23,533	23,533
Land - Note	-	900,000	(65,768)	834,232	116,372
Compensated absences	<u>736,019</u>	<u>189,601</u>	<u>-</u>	<u>925,620</u>	<u>-</u>
Total governmental activities	3,673,456	1,089,601	(490,466)	4,272,591	<u>\$ 559,111</u>
Business-type Activities					
Compensated absences	<u>63,860</u>	<u>12,652</u>	<u>-</u>	<u>76,512</u>	
	<u>\$ 3,737,316</u>	<u>\$1,102,253</u>	<u>\$(490,466)</u>	<u>\$4,349,103</u>	

- (1) The breathing apparatus was acquired through a capital lease with a cost of \$94,280 and an accumulated depreciation at December 31, 2007 of \$23,570.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 7 - LONG-TERM DEBT – (cont'd):

Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2007 for the following bonds and notes (excluding compensated absences) are as follows:

	G.O. Bond		S.A. Bond		Land – Note		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 50,000	\$ 38,888	\$ 265,000	\$ 59,577	\$ 116,372	\$ 31,251	\$ 127,739	\$ 3,923
2009	75,000	36,044	210,000	49,660	121,113	26,510	-	-
2010	75,000	32,613	215,000	40,854	126,047	21,576	-	-
2011	75,000	29,144	210,000	32,031	131,183	16,440	-	-
2012	75,000	25,619	185,000	23,866	136,528	11,095	-	-
2013-2017	<u>470,000</u>	<u>63,119</u>	<u>480,000</u>	<u>37,410</u>	<u>202,989</u>	<u>6,143</u>	<u>-</u>	<u>-</u>
	<u>\$ 820,000</u>	<u>\$ 225,427</u>	<u>\$ 1,565,000</u>	<u>\$ 243,398</u>	<u>\$ 834,232</u>	<u>\$ 113,015</u>	<u>\$ 127,739</u>	<u>\$ 3,923</u>

NOTE 8 - RISK MANAGEMENT:

Property and Liability -

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool for claims related to workers' compensation, and the Michigan Townships Participating Plan for general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Health Care Costs -

The Township is self-insured for health care benefits for all employees (and their families) up to \$2,000. The Township has purchased through Blue Cross Blue Shield of Michigan (BCBS) insurance coverage in excess of \$1,000 and \$2,000 for single and family plan employees, respectively, which are paid for by the Township through a third party administrator in order to reduce the overall cost of the Township's health care insurance premiums. The current year costs of the administration and benefits were \$14,922 and \$228,902, respectively.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Plan Description -

Employees' Retirement System. The Employee's Retirement System is a single-employer defined benefit pension plan that is administered by the Charter Township of Harrison Employees' Retirement System Pension Board. This plan covers substantially all full-time employees (except firemen) of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at L'Anse Creuse Road, Harrison Township, MI 48045.

Firemen's Pension Fund. The Firemen's Pension Fund is a single-employer defined benefit pension plan that is administered by the Charter Township of Harrison Firemen's Pension Board. This plan covers substantially all full-time employees of the Charter Township of Harrison fire department. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained in writing to the system at L'Anse Creuse Road, Harrison Township, MI 48045.

Eligibility -

Employees' Retirement System. The Plan provides eligible participants with retirement benefits as well as disability benefits. All retirement benefits fully vest after age 55, with 8 years of service, or completion of 25 years of service, whichever is earliest. Once vested, employees are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.5% of final average compensation (FAC) times first 25 years of service plus 1% of FAC times years of service in excess of 25 years.

At December 31, 2006, the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits	38
Terminated plan members entitled to but not yet receiving benefits	10
Active plan member	<u>40</u>
Total	<u>88</u>

Firemen's Pension Fund. The Plan provides eligible participants with retirement benefits as well as disability benefits. All retirement benefits fully vest after 20 years of credited service, with partial vesting granted for service 10 and 20 years. Employees who retire at age 55 are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.8% of 3-year average final compensation (AFC) times first 20 years of service plus 1.8% of AFC times years of service in excess of 20 years, up to 25 years plus 1% of AFC times years of service in excess of 25 years, up to 30 years. Maximum benefit is 70% times AFC.

At December 31, 2006, the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits	27
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	<u>28</u>
Total	<u>56</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – (cont'd):

Investments -

Employees' Retirement System. The Township maintains an investment policy for the Plan that provides the following Aggregate System Asset Allocation Guidelines (at market value):

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Equities	20 %	70 %	65.0 %
Fixed Income	25	40	34.5
Cash and Equivalents	0	10	0.5

Firemen's Pension Fund. The Township maintains an investment policy for the Plan, which permits up to 60% of Pension Trust Fund assets to be invested in high quality fixed income securities and 25% to 70% in equity type securities.

Required Contributions -

Employees' Retirement System. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 5% gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 18.74% of covered payroll.

Firemen's Pension Fund. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 5% of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 23.14% of covered payroll.

Summary of Significant Accounting Policies -

a. *Basis of Accounting* -

Employees' Retirement System and Firemen's Pension Fund. The Plan's financial statements are prepared using the accrual basis of accounting. The Township's contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The administrative costs are financed through investment earnings.

b. *Method Used to Value Investments* -

Employees' Retirement System and Firemen's Pension Fund. Equity investments and bonds are reported at fair value. GIC investments are valued at estimated fair value. The investments of both plans are not federally insured.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS – (cont'd):

c. Annual Pension Cost and Net Pension Obligation

Employees' Retirement System. For the year ended December 31, 2007, the Township's annual pension cost of \$435,838 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age actuarial cost method. Significant actuarial assumptions include (a) 7% investment rate of return, (b) projected salary increases of 5% to 8.8% per year, and (c) cost of living adjustments for supervisory employees of 10% after 5 and 10 years. Both (a) and (b) include an inflation component of 5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized using the level percent open method. The remaining amortization period is 27 years.

Firemen's Pension Fund. For the year ended December 31, 2007, the Township's annual pension cost of \$495,935 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age actuarial cost method. Significant actuarial assumptions include (a) a 7.5% investment rate of return, and (b) a projected salary increase of 4.5% to 14.2% per year. There is no adjustment for cost of living. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized using the level percent open method. The remaining amortization period is 30 years.

Trend Information -

Employees' Retirement System

Asset Class	Annual Pension Percentage of APC		Net Pension Obligation
	Cost (APC)	Contributed	
12/31/05	\$ 314,665	100 %	\$ -
12/31/06	353,259	100	-
12/31/07	435,838	100	-

Firemen's Pension Fund

Asset Class	Annual Pension Percentage of APC		Net Pension Obligation
	Cost (APC)	Contributed	
12/31/05	\$ 436,636	100 %	\$ -
12/31/06	407,812	100	-
12/31/07	495,935	100	-

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS:

In addition to providing pension benefits, the Township provides certain health care and life insurance benefits for retired employees as established by collective bargaining agreement with local union organizations as approved by the board. Currently, 64 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participants who retired prior to January 4, 1996. Contributions for participants who retire after January 3, 1996 will be funded by the Township based on years of service as follows: 10 years and under – 25 percent; 11 years through 14 years – 50 percent; over 15 years – 100 percent. The Township recognizes the cost of providing these benefits by expensing the annual healthcare and insurance billings, which were \$686,357 for 2007.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 11 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance –

Fund Balance has been reserved in the various fund types to indicate that a portion of the Fund Balance is not available but reserved for specific purposes:

Fund Balance –			
General Fund	Prepaid Expenditures	\$	8,600
Debt Service Fund	Special Assessments		1,132,145
Capital Projects Fund –			
Building and site	Capital Projects		2,055
Special Assessment –			
Capital Projects	Capital Projects		130,951
Special Assessment –			
Revolving	Capital Projects		<u>78,180</u>
		\$	<u>1,351,931</u>

Designated Fund Balance /Retained Earnings–

The Township board has the power to designate or set aside all or a portion of Unreserved Fund Balance/Retained Earnings for specific purpose. The following is a summary of Board Designations at December 31, 2007:

Water and Sewer Fund	Capital Improvements	\$ <u>2,351,170</u>
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NOTE 12 - COMMITMENTS:

The Township has active construction projects as of December 31, 2007. At year end the Township's commitments with contractors are as follows:

<u>Project Description</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
St. Christopher San Pump Station	\$ 672,098	\$ 582,519
Jefferson/Shook Sanitary Sewer	677,649	155,666
Riverbank Pump Station replacement	208,326	2,959
Murdock Ballard Station Pump	148,441	292,559
Joy/Irwin Water Pit	131,407	17,593
S. River Rd. Water Main	<u>8,515</u>	<u>16,485</u>
	<u>\$ 1,846,436</u>	<u>\$ 1,067,781</u>

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

EMPLOYEES' RETIREMENT SYSTEM
(Unaudited)

Schedule of Funding Progress

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Attained Age	(b-a) Unfunded Actuarial Accrued Liability (Asset)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a/c) UAAL as a % of Covered Payroll
12/31/1997	\$ 8,074,564	\$ 8,535,356	\$ 460,792	94.6%	\$ 1,780,542	25.9%
12/31/1998	8,901,842	9,334,519	432,677	95.4%	2,001,643	21.6%
12/31/1999	9,508,833	10,065,818	556,985	94.5%	2,076,516	26.8%
12/31/2000	10,086,683	10,584,130	497,447	95.3%	2,129,790	23.4%
12/31/2001	10,603,709	11,437,172	833,463	92.7%	2,271,123	36.7%
12/31/2002	10,851,905	12,188,641	1,336,736	89.0%	2,544,024	52.5%
12/31/2003	11,274,486	12,823,259	1,548,773	87.9%	2,292,453	67.6%
12/31/2004	11,702,984	13,502,202	1,799,218	86.7%	1,793,292	100.3%
12/31/2005	11,925,599	14,588,605	2,663,006	81.7%	1,899,436	140.2%
12/31/2006	12,422,920	15,097,569	2,674,649	82.3%	2,022,252	132.3%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
1998	\$ 302,880	\$ 302,880	100.0%
1999	315,935	315,935	100.0%
2000	329,489	329,489	100.0%
2001	370,395	370,395	100.0%
2002	437,514	437,514	100.0%
2003	312,506	312,506	100.0%
2004	330,751	330,751	100.0%
2005	314,665	314,665	100.0%
2006	353,258	353,258	100.0%
2007	435,838	435,838	100.0%

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIREMEN'S PENSION FUND
(Unaudited)

Schedule of Funding Progress

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Attained Age	(b-a) Unfunded Actuarial Accrued Liability (Asset)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a/c) UAAL as a % of Covered Payroll
12/31/1997	\$ 9,466,672	\$ 10,495,317	\$ 1,025,645	90.2%	\$ 1,450,888	70.7%
12/31/1998	10,305,241	10,714,962	409,721	96.2%	1,482,110	27.6%
12/31/1999	11,111,722	11,091,891	(19,831)	100.2%	1,636,166	-1.2%
12/31/2000	11,916,284	12,028,593	112,309	99.1%	1,828,011	6.1%
12/31/2001	12,483,861	12,291,086	(192,775)	101.6%	1,678,054	-11.5%
12/31/2002	12,816,039	12,921,489	105,450	99.2%	1,949,550	5.4%
12/31/2003	13,592,377	13,706,190	113,813	99.2%	2,046,793	5.6%
12/31/2004	14,400,476	14,294,856	(105,620)	100.7%	1,863,799	-5.7%
12/31/2005	14,821,085	15,779,232	958,147	93.9%	1,992,634	48.1%
12/31/2006	15,500,248	16,693,350	1,193,102	92.9%	1,994,621	59.8%

Schedule of Employer Contributions

Fiscal Year Ended (June 30)	Annual Required Contribution	Actual Annual Contribution	Percent Contributed
1998	\$ 360,499	\$ 360,499	100.00%
1999	380,264	380,264	100.00%
2000	362,451	362,451	100.00%
2001	345,071	345,071	100.00%
2002	429,662	429,662	100.00%
2003	437,191	437,191	100.00%
2004	410,281	410,281	100.00%
2005	436,636	436,636	100.00%
2006	409,663	409,663	100.00%
2007	495,935	495,935	100.00%

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 357,554	\$ 375,554	\$ 378,469	\$ 2,915
Licenses and permits	295,940	310,940	339,935	28,995
Intergovernmental	1,933,291	1,893,291	1,925,032	31,741
Charges for services	75,175	127,325	162,863	35,538
Fines and forfeits	10,700	10,700	3,940	(6,760)
Interest and rent	60,000	160,000	298,251	138,251
Other revenues	56,715	107,565	106,045	(1,520)
Total Revenues	<u>2,789,375</u>	<u>2,985,375</u>	<u>3,214,535</u>	<u>229,160</u>
Expenditures:				
General Government -				
Administration	598,951	2,348,632	2,340,930	7,702
Township Board	39,467	43,467	41,146	2,321
Supervisor	159,132	166,132	165,186	946
Elections	106,247	103,247	79,953	23,294
Assessor	360,485	367,545	364,819	2,726
Attorney	100,000	165,000	175,468	(10,468)
Clerk	201,385	210,435	194,881	15,554
Accounting	268,043	277,593	276,292	1,301
Cable television committee	9,900	11,400	10,521	879
Zoning Board	23,075	29,575	33,985	(4,410)
Treasurer	395,824	410,624	406,056	4,568
Grounds, hall and equipment	248,580	249,580	257,994	(8,414)
Ordinance	122,304	113,104	109,644	3,460
	<u>2,633,393</u>	<u>4,496,334</u>	<u>4,456,875</u>	<u>39,459</u>
Less: Reimbursement from other funds	<u>(164,335)</u>	<u>(164,335)</u>	<u>(164,335)</u>	<u>-</u>
	<u>2,469,058</u>	<u>4,331,999</u>	<u>4,292,540</u>	<u>39,459</u>
Public Safety -				
Planning Commission	<u>106,598</u>	<u>110,098</u>	<u>104,708</u>	<u>5,390</u>
Public Works -				
Highways and streets	46,000	42,000	39,459	2,541
Engineering	25,000	20,000	16,020	3,980
Drains at large and watershed	101,000	36,000	138,408	(102,408)
	<u>172,000</u>	<u>98,000</u>	<u>193,887</u>	<u>(95,887)</u>

Continued

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures - (cont'd):				
Recreation and Cultural -				
Parks and recreation	\$ 12,600	\$ 19,600	\$ 16,653	\$ 2,947
Beautification Commission	1,525	1,525	30	1,495
	<u>14,125</u>	<u>21,125</u>	<u>16,683</u>	<u>4,442</u>
Debt Service				
Principal	-	64,600	65,768	(1,168)
Interest and fees	-	21,500	20,345	1,155
	<u>-</u>	<u>86,100</u>	<u>86,113</u>	<u>(13)</u>
 Total Expenditures	 <u>2,761,781</u>	 <u>4,647,322</u>	 <u>4,693,931</u>	 <u>(46,609)</u>
 Excess of revenues over (under) expenditures	 <u>27,594</u>	 <u>(1,661,947)</u>	 <u>(1,479,396)</u>	 <u>182,551</u>
Other Financing Sources (Uses):				
Transfers to other funds	(27,594)	(165,647)	(189,117)	(23,470)
Note proceeds	-	900,000	900,000	-
	<u>(27,594)</u>	<u>734,353</u>	<u>710,883</u>	<u>(23,470)</u>
 Net Change in Fund Balance	 -	 (927,594)	 (768,513)	 159,081
 Fund Balance at beginning of year	 <u>4,170,833</u>	 <u>4,170,833</u>	 <u>4,170,833</u>	 <u>-</u>
 Fund Balance at end of year	 <u><u>\$ 4,170,833</u></u>	 <u><u>\$ 3,243,239</u></u>	 <u><u>\$ 3,402,320</u></u>	 <u><u>\$ 159,081</u></u>

Concluded

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,798,757	\$ 4,798,757	\$ 4,913,219	\$ 114,462
Intergovernmental - Federal/State	-	42,697	62,055	19,358
Charges for services	278,250	329,750	365,946	36,196
Interest	55,000	55,000	138,061	83,061
Other	2,000	3,000	1,378	(1,622)
	<u>\$ 5,134,007</u>	<u>\$ 5,229,204</u>	<u>5,480,659</u>	<u>251,455</u>
Expenditures:				
Public Safety -	4,936,257	5,377,697	5,118,364	259,333
Debt Service				
Principal	99,595	99,595	129,698	(30,103)
Interest and fees	6,990	6,990	6,642	348
	<u>5,042,842</u>	<u>5,484,282</u>	<u>5,254,704</u>	<u>229,578</u>
Excess of revenues over (under) expenditures	91,165	(255,078)	225,955	481,033
Other financing Uses				
Transfers to other funds	(91,165)	(91,165)	(91,165)	-
Net change in fund balance	-	(346,243)	134,790	481,033
Fund Balance at beginning of year	<u>861,389</u>	<u>861,389</u>	<u>861,389</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 861,389</u></u>	<u><u>\$ 515,146</u></u>	<u><u>\$ 996,179</u></u>	<u><u>\$ 481,033</u></u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,244,782	\$ 1,244,782	\$ 1,272,767	\$ 27,985
Interest	10,000	10,000	28,584	18,584
	<u>1,254,782</u>	<u>1,254,782</u>	<u>1,301,351</u>	<u>46,569</u>
Expenditures:				
Public Safety -				
Contracted services	<u>1,254,782</u>	<u>1,254,782</u>	<u>1,251,359</u>	<u>3,423</u>
Excess of revenues over (under) expenditures	-	-	49,992	49,992
Fund Balance at beginning of year	<u>81,934</u>	<u>81,934</u>	<u>81,934</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 81,934</u></u>	<u><u>\$ 81,934</u></u>	<u><u>\$ 131,926</u></u>	<u><u>\$ 49,992</u></u>

SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007

		Special Revenue Funds		
		Grant	Parks & Recreation	Building Inspections
ASSETS				
Current assets -				
Cash and cash equivalents	\$	17,413	\$ 22,300	\$ 49,765
Investments		-	-	100,000
Receivables -				
Interest and accounts		-	215	1,336
Due from other governmental units		42,618	-	-
		<u>42,618</u>	<u>-</u>	<u>-</u>
Total Assets	\$	<u>60,031</u>	\$ <u>22,515</u>	\$ <u>151,101</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$	1,310	\$ -	\$ 7,207
Accrued liabilities		2,835	-	8,642
Due to other funds		-	-	20,611
Total Liabilities		<u>4,145</u>	<u>-</u>	<u>36,460</u>
Fund Balance:				
Reserved-				
Capital Projects		-	-	-
Unreserved -				
Undesignated		55,886	22,515	114,641
Total Fund Balance		<u>55,886</u>	<u>22,515</u>	<u>114,641</u>
Total Liabilities and Fund Balance	\$	<u>60,031</u>	\$ <u>22,515</u>	\$ <u>151,101</u>

Capital Projects Funds

<u>Building and Site</u>	<u>Special Assessments Capital Projects</u>	<u>Special Assessments Revolving</u>	<u>Total</u>
\$ -	\$ 175,461	\$ 54,300	\$ 319,239
-	-	-	100,000
18,678	1,490	28,941	50,660
-	-	-	42,618
<u>\$ 18,678</u>	<u>\$ 176,951</u>	<u>\$ 83,241</u>	<u>\$ 512,517</u>

\$ -	\$ 46,000	\$ 2,049	\$ 56,566
-	-	-	11,477
16,623	-	3,012	40,246
<u>16,623</u>	<u>46,000</u>	<u>5,061</u>	<u>108,289</u>

2,055	130,951	78,180	211,186
-	-	-	193,042
<u>2,055</u>	<u>130,951</u>	<u>78,180</u>	<u>404,228</u>
<u>\$ 18,678</u>	<u>\$ 176,951</u>	<u>\$ 83,241</u>	<u>\$ 512,517</u>

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Special Revenue Funds</u>		
	<u>Grant</u>	<u>Parks & Recreation</u>	<u>Building Inspections</u>
Revenues:			
Licenses and permits	\$ -	\$ -	\$ 267,920
Intergovernmental -			
Federal/State	93,571	-	-
Charges for services	-	-	298,769
Interest and rent	1,906	1,195	7,847
Special Assessments	-	-	-
Other	1,319	-	1,355
Total Revenues	<u>96,796</u>	<u>1,195</u>	<u>575,891</u>
	-		
Expenditures:			
Current -			
Public Safety	-	-	615,290
Public Works	-	-	-
Community and Economic Development	173,798	-	-
Total Expenditures	<u>173,798</u>	<u>-</u>	<u>615,290</u>
Excess of revenues over (under)			
expenditures	(77,002)	1,195	(39,399)
Other Financing Sources (Uses):			
Transfers from other funds	51,064	-	-
	<u>51,064</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(25,938)	1,195	(39,399)
Fund Balances at beginning of year	<u>81,824</u>	<u>21,320</u>	<u>154,040</u>
Fund Balances at end of year	<u><u>\$ 55,886</u></u>	<u><u>\$ 22,515</u></u>	<u><u>\$ 114,641</u></u>

Capital Projects Funds

<u>Building and Site</u>	<u>Special Assessments Capital Projects</u>	<u>Special Assessments Revolving</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 267,920
180,600	-	-	274,171
-	-	-	298,769
110	4,976	2	16,036
-	-	-	-
-	-	-	2,674
<u>180,710</u>	<u>4,976</u>	<u>2</u>	<u>859,570</u>
-	-	-	615,290
323,475	128,501	-	451,976
-	-	-	173,798
<u>323,475</u>	<u>128,501</u>	<u>-</u>	<u>1,241,064</u>
(142,765)	(123,525)	2	(381,494)
138,053	-	-	189,117
<u>138,053</u>	<u>-</u>	<u>-</u>	<u>189,117</u>
(4,712)	(123,525)	2	(192,377)
<u>6,767</u>	<u>254,476</u>	<u>78,178</u>	<u>596,605</u>
<u>\$ 2,055</u>	<u>\$ 130,951</u>	<u>\$ 78,180</u>	<u>\$ 404,228</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Grant income	\$ 162,391	\$ 149,797	\$ 93,571	\$(56,226)
Interest and rent -	100	100	1,906	1,806
Other	200	200	1,319	1,119
	<u>162,691</u>	<u>150,097</u>	<u>96,796</u>	<u>(53,301)</u>
Expenditures:				
Community Development	<u>162,691</u>	<u>177,691</u>	<u>173,798</u>	<u>3,893</u>
Excess of revenues over (under) expenditures	-	(27,594)	(77,002)	(49,408)
Other Financing Sources:				
Transfers from other funds	<u>-</u>	<u>27,594</u>	<u>51,064</u>	<u>23,470</u>
Net Change in Fund Balance	-	-	(25,938)	(25,938)
Fund Balance at beginning of year	<u>81,824</u>	<u>81,824</u>	<u>81,824</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 81,824</u></u>	<u><u>\$ 81,824</u></u>	<u><u>\$ 55,886</u></u>	<u><u>\$(25,938)</u></u>

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

PARKS & RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest and rent -				
Interest on investment	\$ -	\$ -	\$ 1,195	\$ 1,195
	-	-	1,195	1,195
Expenditures:				
Recreation and Cultural	-	-	-	-
Capital Outlay	-	-	-	-
	-	-	-	-
Net Change in Fund Balance	-	-	1,195	1,195
Fund Balance at beginning of year	21,320	21,320	21,320	-
Fund Balance at end of year	\$ 21,320	\$ 21,320	\$ 22,515	\$ 1,195

CHARTER TOWNSHIP OF HARRISON**Macomb County, Michigan****BUILDING INSPECTIONS FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 464,500	\$ 401,310	\$ 267,920	\$ (133,390)
Charges for services	170,500	220,500	298,769	78,269
Interest	5,000	5,000	7,847	2,847
Other	-	-	1,355	1,355
	<u>640,000</u>	<u>626,810</u>	<u>575,891</u>	<u>(50,919)</u>
Expenditures:				
Public Safety -	<u>639,500</u>	<u>626,810</u>	<u>615,290</u>	<u>11,520</u>
Net Change in Fund Balance	500	-	(39,399)	(39,399)
Fund Balance at beginning of year	<u>154,040</u>	<u>154,040</u>	<u>154,040</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 154,540</u>	<u>\$ 154,040</u>	<u>\$ 114,641</u>	<u>\$ (39,399)</u>

FIDUCIARY FUNDS

CHARTER TOWNSHIP OF HARRISON

Macomb County, Michigan

FIDUCIARY FUNDS COMBINING STATEMENT OF ASSETS AND LIABILITIES DECEMBER 31, 2007

Pension and Other Employee Benefit Trust Funds

	Firemen's Pension Trust	Employees' Retirement System Trust	Retiree Healthcare Fund	Total
Assets:				
Cash and cash equivalents	\$ 368,495	\$ 332,309	\$ 963,317	\$ 1,664,121
Investments				
U.S. treasury and agency securities	-	2,691,237	-	2,691,237
Mortgage/asset backed securities	-	572,604	-	572,604
Commercial paper	-	-	93,000	93,000
Corporate debt	1,883,122	694,010	-	2,577,132
Unit investment trusts	48,339	-	-	48,339
International bonds	-	14,664	-	14,664
Stock/equities	658,445	7,480,352	-	8,138,797
Open end mutual funds	11,073,210	1,192,537	-	12,265,747
Closed end mutual funds	1,118,055	832,707	-	1,950,762
REIT's / Tangibles	274,347	-	-	274,347
Alternative investments (hedge funds)	399,746	-	-	399,746
Receivables:				
Employer contributions	33,522	30,821	-	64,343
Accrued interest	1,575	23,363	6,004	30,942
Total assets	<u>\$ 15,858,856</u>	<u>\$ 13,864,604</u>	<u>\$ 1,062,321</u>	<u>\$ 30,785,781</u>
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Pending trades	-	10,664	-	10,664
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Bonds and deposits	-	-	-	-
Undistributed taxes	-	-	-	-
Total liabilities	<u>-</u>	<u>10,664</u>	<u>-</u>	<u>10,664</u>
Net Assets:				
Held in trust for pension benefits and other purposes	<u>\$ 15,858,856</u>	<u>\$ 13,853,940</u>	<u>\$ 1,062,321</u>	<u>\$ 30,775,117</u>

Agency Funds

<u>Tax Receiving</u>	<u>Trust and Agency</u>	<u>Total</u>
\$ 1,840,292	\$ 801,885	\$ 2,642,177
-	-	-
-	-	-
-	75,000	75,000
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	3,247	3,247
<u>\$ 1,840,292</u>	<u>\$ 880,132</u>	<u>\$ 2,720,424</u>
\$ -	\$ 2,988	\$ 2,988
-	-	-
61,779	177,267	239,046
-	1,315	1,315
-	698,562	698,562
1,778,513	-	1,778,513
<u>\$ 1,840,292</u>	<u>\$ 880,132</u>	<u>\$ 2,720,424</u>

CHARTER TOWNSHIP OF HARRISON
Macomb County, Michigan

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Firemen's Pension Trust</u>	<u>Employees' Retirement System Trust</u>	<u>Retiree Healthcare Fund</u>	<u>Total</u>
Additions:				
Contributions				
Employer contributions	\$ 495,935	\$ 435,838	\$ 417,900	\$ 1,349,673
Plan Member contributions	<u>101,058</u>	<u>98,904</u>	<u>-</u>	<u>199,962</u>
Total contributions	<u>596,993</u>	<u>534,742</u>	<u>417,900</u>	<u>1,549,635</u>
Investment income				
Net appreciation (depreciation) in fair value	(100,906)	1,146,266	-	1,045,360
Interest and dividends	<u>561,269</u>	<u>333,052</u>	<u>50,661</u>	<u>944,982</u>
Total investment income	460,363	1,479,318	50,661	1,990,342
Less investment expense	<u>(13,126)</u>	<u>(60,769)</u>	<u>-</u>	<u>(73,895)</u>
Net investment income	<u>447,237</u>	<u>1,418,549</u>	<u>50,661</u>	<u>1,916,447</u>
Total Additions	1,044,230	1,953,291	468,561	3,466,082
Deductions				
Benefits and refunds to participants	<u>943,183</u>	<u>881,342</u>	<u>-</u>	<u>1,824,525</u>
Net increase in plan net assets	101,047	1,071,949	468,561	1,641,557
Net assets held in trust for pension benefits - beginning of year	<u>15,757,809</u>	<u>12,781,991</u>	<u>593,760</u>	<u>29,133,560</u>
Net assets held in trust for pension benefits - end of year	<u><u>\$ 15,858,856</u></u>	<u><u>\$ 13,853,940</u></u>	<u><u>\$ 1,062,321</u></u>	<u><u>\$ 30,775,117</u></u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Supervisor and Members of
The Township Board
Charter Township of Harrison
Harrison Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Harrison as of and for the year ended December 31, 2007, which collectively comprise the Charter Township of Harrison's basic financial statements and have issued our report thereon dated May 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Harrison's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Harrison's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Charter Township of Harrison's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles (GAAP).

As is the case with many similar-sized entities, the Township has historically relied on its independent external auditors to assist in preparing the annual financial statements, including the footnotes and GASB No. 34 financial statements, as part of its annual audit process. Statement on Auditing Standard No. 112 “Communicating Internal Control Related Matters Identified in an Audit” specifies that the auditee is responsible for internal control over financial reporting, including the preparation of the annual financial statements.

The Township has made the decision that it is more cost effective to outsource the preparation of its annual financial statements to the external auditors than to incur the time and expense of obtaining the necessary training and expertise required to prepare financial statements in accordance with generally accepted accounting principles.

The Township’s internal financial documents were very accurate and only required a few adjustments at year end. This is a significant improvement over the prior years.

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and has determined that it is in the best interest of the Township to outsource this task to the external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

The utilities accounts receivable should be periodically reconciled to the detailed subsidiary records and all billing adjustments approved with supporting documentation attached.

During our audit we noted that the Township did not reconcile the detailed utilities accounts receivable ledgers to the General Ledger and that billing adjustments were not approved. By not performing this reconciliation, transactions or adjustments may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa. To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial statements, the detailed accounts receivable ledger should be reconciled to the general ledger on a periodic basis and billing adjustments should be approved by someone other than the person preparing the billings and supporting documentation should be attached to support the proposed adjustment.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Township of Harrison’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted certain matters that we reported to management of the Charter Township of Harrison in a separate letter dated May 13, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Harrison's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, the Township Board, others with the Charter Township of Harrison, and the Michigan Department of Treasury and is not intended to be and should be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvais & Whipple".

May 13, 2008

AUDIT COMMUNICATION LETTER

May 13, 2008

To the Members of the Board
Charter Township of Harrison
Harrison Township, Michigan

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Harrison for the year ended December 31, 2007, and have issued our report thereon dated May 13, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 8, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Charter Township of Harrison. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Harrison's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated to you in our Preliminary Audit Communication Letter, and discussions with the Clerk and the Finance Director.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Harrison are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate for unbilled water and sewer services. The estimate is based on subsequent billings and historical data. We evaluated the key factors and assumptions used to develop the unbilled water and sewer services in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the following material misstatements detected as a result of audit procedures were corrected by management (we also proposed and management corrected a number of immaterial misstatements):

- Recording of interest revenue earned in the tax fund at December 31, 2007 to the General Fund
- Adjusting fund balance for the grant fund for prior year receivable.
- Recording retentions on construction projects in the Special Assessment Fund and in the Water and Sewer Fund
- Recording additional CDBG receivable in the Water and Sewer Fund
- To capitalized waterfront parkway in the GASB No. 34 Fund.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding and Comments

In addition to the Report on Internal Control we noted a few other items that although are not considered significant deficiencies could improve controls, the operational efficiency and or compliance with laws and regulations. These items are discussed in Attachment A.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management Representations


We have requested certain representations from management that are included in the management representation letter dated May 13, 2008.

Other

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of the Charter Township of Harrison and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

Attachment A

The following is a list of items that we discussed with administration that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and or compliance with laws and regulations:

All allowances (clothing and food) should be paid through payroll unless documentation of expenses is required.

During our audit we noted that certain allowances are paid for clothing and food to employees through the account payable process and if the total allowance is in excess of \$600 then an IRS 1099 Form is issued at the end of the year. The IRS requires that all payments made to employees except those that are a reimbursement of expenses and supported by detailed documentation, an “accountable plan”, be paid through payroll.

We recommend that policies and procedures be adopted that require the employees to submit detailed documentation that qualify for reimbursable expenditures or that the payments be paid through payroll and be subjected to payroll taxes and withholding.

IRS I-9 forms should be on file for all employees.

As you are aware, employers are required to obtain and keep on file Form I-9 for all employees hired after November 6, 1986. During the audit we noted a couple of employees files did not include the I-9 form. We recommend the I-9 Form be completed at the time of hire for all new employees, and current payroll files be reviewed for any missing forms.

Controls over the gasoline should be improved.

The Township maintains gasoline for use of the Township equipment. However, employees are not required to document when gas is used, the vehicle or equipment that is being fueled, the mileage and date, etc. We recommend that procedures be adopted requiring this type of information and that perpetual inventory records of the gasoline be maintained. A physical inventory should be taken at the end of each month and compared to the perpetual inventory records.